



COMPARATIVE ANALYSIS OF THE NON-PERFORMING FINANCING SETTLEMENT IN ISLAMIC FINANCIAL INSTITUTIONS

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Abstract: LKS has different characteristics, so different strategies and approaches are needed in resolving problematic financing. The purpose of the study is to analyze and compare strategies and approaches used in overcoming NPF in BPRS, BUS, and BMT. This research is a literature review with a qualitative approach using secondary data in the form of previous research results and as many as 12 research objects with documentation techniques. Data analysis techniques are carried out using data reduction, data analysis, and conclusions. This research shows that in general, the settlement of problematic financing is carried out by restructuring but by taking different approaches according to the character of BPRS, BUS, and BMT. In particular, there are some BMTs in solving NPFs that do not use approaches that correspond to their characteristics.

Keywords: Characteristic; NPF; IFIs

Abstrak: LKS memiliki karakteristik yang berbeda sehingga dibutuhkan strategi dan pendekatan berbeda dalam menyelesaikan pembiayaan bermasalah. Tujuan penelitian untuk menganalisis serta membandingkan strategi dan pendekatan yang digunakan dalam mengatasi NPF di BPRS, BUS, dan BMT. Penelitian ini merupakan literatur review dengan pendekatan kualitatif dengan menggunakan data sekunder berupa hasil penelitian sebelumnya sebanyak 12 objek penelitian dengan teknik dokumentasi. Teknik analisis data dilakukan dengan cara reduksi data, analisis data, penarikan kesimpulan. Penelitian ini menunjukkan secara umum penyelesaian pembiayaan bermasalah dilakukan dengan melakukan restrukturisasi namun dengan melakukan pendekatan yang berbeda-beda sesuai dengan karakter BPRS, BUS, dan BMT. Secara khusus ada beberapa BMT dalam menyelesaikan NPF tidak menggunakan pendekatan yang sesuai dengan karakteristiknya.

Kata Kunci: Karakteristik; Pembiayaan Bermasalah; Lembaga Keuangan Syariah

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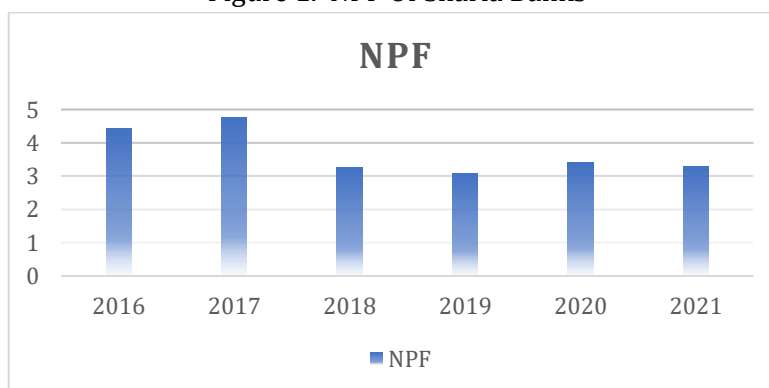


Introduction

Financing is one of the main activities of Islamic Financial Institutions (IFIs), both banking and non-banking, by channeling funds collected from the public to those who need funds with specific agreements. There are several financing agreements at IFIs, such as *Murabahah*, *Istishna'*, *mudharabah*, *musyarakah*, *ijarah*, and *IMBT* agreements. Financing is a potential asset for IFIs because it can supply sizeable operating income even though it can also cause a potential loss risk. Financing with performing collectibility can provide income, but financing with a less performing collectibility to non-performing collectibility can generate losses for IFIs and is referred to as Non-Performing Financing (NPF).

Problematic financing is defined as a condition that shows symptoms of the failure risk in returning payments and even the risk of financing loss.¹ Symptoms of the failure risk in returning payments are indicated by a situation where the debtor is unable to pay either part or all of his obligations to the IFIs according to the payment schedule. This problematic financing can reduce income and even losses caused by the non-return of funds channeled in financing.² These are the NPF of Sharia banks from 2016 until 2021 in Indonesia:

Figure 1. NPF Of Sharia Banks



Source: Sharia Banking Statistic By OJK 2021

Based on the figure can be seen that the NPF level from 2016 to 2021 appears to be fluctuating. The highest level of NPF occurred in 2017 at 4,76%. Although the highest NPF level occurred in 2017, however, the worst effect occurred during covid pandemic. Due to restrictions on public movement, the global economy has weakened so that the NPF level, which had decreased, will increase again in 2020 and become a financial degradation. Financial degradation, rather than public panic, can also lead to bank runs. In the case of an NPL, the borrower has not made any scheduled payments of principal or interest for a certain period and defaults on the loan.³

¹ Firdaus Darus Salam, *Pengawasan Pembiayaan Murabahah Dan Implikasinya Terhadap Pembiayaan Bermasalah Di BMT Madani Sepanjang Taman Sidoarjo*, (Surabaya: Universitas Islam Negeri Sunan Ampel Surabaya, 2014).

² Sitti Asia Dan Ismail Keri, "Efektivitas Penyelesaian Pembiayaan Bermasalah Murabahah Dengan Kebijakan Rescheduling Pada Baitul Maal Wat Tamwil (BMT) As'adiyah Sengkang," *Islamic Economics And Business Journal* 3, no. 2, (2021): 37.

³ Suyi Liu, Justin Jin, And Khalid Nainar, "Does Esg Performance Reduce Banks' Nonperforming Loans?," *Finance Research Letters* 55, (2023).

Problematic financing, recognized as NPF in a Baitul Maal Wat Tamwil (BMT), is similar to what happens in Islamic banks.⁴ To minimize the NPF, it is necessary to make several efforts to deal with NPF to avoid losses to IFI, both Islamic banking and BMT. In general, NPFs that occur are usually restructured (rescheduling, reconditioning, or restructuring) as an effort to stimulate debtors to pay their obligations to IFIs. Apart from restructuring, two strategies can be applied to deal with NPF: first, continuing the relationship with the customers as long as they are cooperative and have business prospects while continuing to restructure. Second, refrain from continuing the relationship with uncooperative customers, and there are no business prospects from the customers. Usually, in this second strategy, collateral sales and civil lawsuits will be carried out.⁵

In addition, in dealing with NPF, the characteristics of Islamic financial institutions must also be considered. The characteristics of Islamic Commercial Banks (BUS) are different from Islamic Rural Banks (BPRS). Although both are engaged in Islamic banking, they have different target characteristics, especially in the financing sector. As BPRS follows the Sharia principles, they can only channel financing to communities in areas with narrower banking services compared to the BUS. Their target is to serve the financing needs of farmers, fishermen, small traders, employees, retirees, and other layers of society that have not been reached by their counterparts to prevent them from being trapped by moneylenders.⁶ Neither BPR nor BPRS can provide services in payment traffic.⁷ Likewise, with BMT, the inherent characteristics refer more to the characteristics of non-bank IFIs, namely cooperatives. Cooperatives are business entities that follow the principles of the people's economy.⁸ Even though they are both engaged in the IFI sector, the three of them have different characteristics. For this reason, a comparative analysis of NPF settlement between Islamic banking and BMT is important to do.

This study is a follow-up study of various studies on the settlement of NPF from various BUS, BPRS, and BMT in Indonesia. Indriyani, Musdalifah, and Sudarto have researched the resolution of financing problems only by restructuring without paying attention to the characteristics of the Islamic financial institution itself. Apart from them, several studies regarding the resolution of problematic financing have also been carried out by many researchers. Amalia et al discuss the strategies for resolving problematic financing through arbitration, courts, and legal entities related to resolving problematic financing in Sharia banks.⁹ Furthermore, the same research demonstrates the factors causing problematic financing as well as strategies for resolving problematic financing by mitigating

⁴ Aye Sudarto, "Penyelesaian Pembiayaan Bermasalah Pada Lembaga Keuangan Syariah Studi BMT Al Hasanah Lampung Timur," *Islamic Banking: Jurnal Pemikiran Dan Pengembangan Perbankan Syariah* 5, no. 2 (2020): 99.

⁵ Trisadini Prasastinah Usanti, "Penanganan Risiko Hukum Pembiayaan Di Bank Syariah," *Yuridika* 29, no. 1 (2014).

⁶ Wasiaturrahma, Raditya Sukmana, Shochrul Rohmatul Ajija, Sri Cahyaning Umi Salama, And Ahmad Hudaifah, "Financial Performance Of Rural Banks In Indonesia: A Two-Stage Dea Approach," *Helikon* 6, no. 7 (2020).

⁷ Kasmir, *Bank Dan Lembaga Keuangan Lainnya*, (Jakarta: PT. Raja Grafindo Persada, 2012).

⁸ Toman Sony Tambunan Dan Luna Theresia Tambunan, *Koperasi*, (Yogyakarta: Expert, 2017).

⁹ Lili Amelia, Syahpawi, Dan Nurmasrina, "Strategi Penyelesaian Pembiayaan Bermasalah Pada Bank Syariah," *Money: Journal Of Financial And Islamic Banking* 2, no. 2 (2024): 131.

risks at the start by paying attention to the 5C principles.¹⁰ Winda et al discuss resolving problematic financing at BMT Hubbul Waton during the Covid pandemic. The results of his research show that handling problematic financing at BMT is done by clarifying the agreement at the beginning.¹¹ Arky et al discuss the implementation of strategies for resolving problematic financing using restructuring which is reviewed with the values of Islamic business ethics at BMT Itqan and BMT Tumang.¹² Rizki et al discuss about financial stability, causal factors, and the application of risk management in resolving problematic financing during the Covid pandemic.¹³ Riyantari and Priyatno discuss the analyze the control strategies carried out by cooperatives as an effort to reduce the level of problematic financing by referring to Government Regulation No. 7 and MUI Fatwa No. 47, 48, and 49 which shows that by revitalizing the process and optimizing the billing and monitoring system, consolidation to cooperative members, collateral, and write off.¹⁴ Fadlullh and Raunaqa discuss the analysis of the role of the financing committee in preventing problematic financing. The results of his research show that the financing committee is tasked with helping directors evaluate or decide on cost expenditures as a form of internal control to prevent financing problems.¹⁵ Hariyanti et al discuss problematic financing and try to identify the causal factors as well as the mechanism for resolving problematic financing in murabahah contracts. The results of his research showed that the causes of financing problems at BPRS Tanmiya Kediri were internal and external factors and were resolved by billing according to the SOP by providing warning letters 1-3 and rescheduling.¹⁶ Annisa and Rokan discuss The effect of the Covid-19 pandemic, which has caused a global economic recession so the level of problematic financing has increased, including at BPRS Paduarta Insane. This resolution of problematic financing addresses problematic financing by providing leeway in installment payments by reducing the installment amount.¹⁷ Pratama et al discuss the problematic financing at Bank Syariah Indonesia Cirebon Branch. The results of his research showed that financing problems were

¹⁰ Muhammad Sodik Dan Ahmad Ali Sopian, "Strategi Penyelesaian Pembiayaan Bermasalah Pada Akad Murabahah Bil Wakalah Di Bmt Purwakarta Amanah Sejahtera," 2, (2022).

¹¹ Winda Hidayanti, Hesty Juan Kirana, Anisya May Yustitia, Harnum Widyaningrum, Tulasmi, Dan Titania Mukti, "Studi Kasus Penanganan Pembiayaan Bermasalah Di Baitul Maal Wa Tamwil (BMT) Hubbul Wathon Pada Masa Pandemi Covid-19," *Jurnal Ilmiah Ekonomi Islam* 7, no. 1 (2021): 333.

¹² Arky Nafisa Beladiena, Neneng Nurhasanah, Dan Udin Saripudin, "Analisis Nilai-Nilai Etika Bisnis Islam Terhadap Strategi Penanganan Pembiayaan Bermasalah pada Produk Akad Murabahah," *Jurnal Iqtisaduna* 7, no. 1 (2021): 51.

¹³ Darlin Rizki, Fauzul Hanif Noor Athief, Dan Dewi Puspitaningrum, "Penerapan Manajemen Risiko Pada Pembiayaan Bermasalah Pada Masa Pandemi Covid-19," *Al Iqtisod: Jurnal Pemikiran Dan Penelitian Ekonomi Islam* 10, no. 2 (2022): 16.

¹⁴ Rani Riyantari Dan Prima Dwi Priyatno, "Analisis Penyelesaian Pembiayaan Bermasalah Di Masa Pandemi Covid-19 Pada Koperasi Simpan Pinjam Dan Pembiayaan Syariah Arrahmah," *Jurnal Ekonomi Syariah Teori Dan Terapan* 9, no. 2 (2022): 192.

¹⁵ Kharis Fadlullah Hana Dan Yoga Raunaqa, "Peran Komite Pembiayaan Dalam Menangani Pembiayaan Bermasalah Di Bank Syariah Indonesia," *Istithmar: Jurnal Studi Ekonomi Syariah* 6, no. 1 (2022): 31.

¹⁶ Sri Hariyanti, Dini Noviana, Dan M. Yaskiyann Assyafik, "Mekanisme Penyelesaian Pembiayaan Bermasalah Pada Akad Murabahah (Studi Pada PT. BPRS Tanmiya Artha Kediri)," *Wadiab* 7, no. 1 (2023): 21.

¹⁷ Fira Annisa Dan Mustapa Khamal Rokan, "Strategi Penanganan Pembiayaan Bermasalah Pada PT. BPRS Puduarta Insani Di Era Covid-19," *Ekoma: Jurnal Ekonomi, Manajemen, Akuntansi* 1, no. 2 (2022): 51.

overcome by strengthening human resources in the company and making efforts to approach customers before restructuring.¹⁸

Although this is a follow-up study, this article has several novelties: first, this study is a comparative analysis of problem-solving financing conducted between BUS, between BPRS, between BMT, BUS, and BPRS, and between Islamic banking and BMT. While the results of previous research only focused on the description of problem-solving financing on one research object, so it cannot be generalized to general conditions. Second, this study uses the characteristics of BUS, BPRS, and BMT as the basis for solving financing problems in IFIs. Thus, this research can provide a scientific contribution regarding the settlement of NPF in IFI according to its characteristics.

Methods

This research was a type of literature review research with a qualitative approach. The type of data used is secondary data sourced from relevant previous research results, namely the research results on the settlement of problem financing at BUS, BPRS, and BMT in various regions in Indonesia, with as many as 12 research objects. There are the objects of IFIs used in this research:

Name Of IFIs	Jenis
BPRS Bhakti Sumekar Cabang Pragaan	Rural Bank
BPRS Taman Indah Darussalam	Rural Bank
BPRS Muamalat Harkat Sukaraja	Rural Bank
BPRS Patriot Bekasi	Rural Bank
Bank Muamalat Indonesia Banda Aceh	Sharia Bank
Bank Syariah Mandiri (BSM) Cab. Bone	Sharia Bank
BMT Al Hasanah Lampung Timur	BMT
KJKS BMT Agam Madani Nagari Batu Palano Kabupaten Agam	BMT
BMT Purwakarta Amanah Sejahtera	BMT
BMT Se-Kota Jepara	BMT
BMT Syari'ah Pare	BMT
BMT AlFalah Sumber Kabupaten Cirebon	BMT

Data collection techniques used documentation techniques. The analysis techniques used in this study are data reduction, data analysis, and conclusion.

¹⁸ Gama Pratama, Nur Haida, Dan Sukma Nurwulan, "Strategi Penanganan Pembiayaan Bermasalah Pada Produk Bank Syariah," *Ecobankers: Journal Of Economy And Banking* 2, no. 2 (2021): 101.

Result And Discussion

Islamic financial Institutions are financial institutions that operate using sharia principles and characteristics. The primary operations of IFI are not much different from conventional financial institutions, including collecting funds from the public and channeling it back to the community (debtors) to be used in production or investment activities, buying goods or services so that economic activity can grow and the standard of living of the people's economy also increases.¹⁹

The development of IFI in Indonesia is inseparable from the development of Islamic banking. Apart from sharia banking, there are currently several forms of IFIs in Indonesia, such as sharia insurance, sharia financing institutions, sharia pawnshops, sharia cooperatives, and sharia microfinance institutions which are often called BMT. BMT is legally incorporated as a sharia cooperative or Sharia Financial Services Cooperative (KJKS).²⁰

BMT has the same characteristics and roles as cooperatives in general. A cooperative is defined as a legal entity founded by a person or individual with the separation of the wealth of its members as capital to run the cooperative business itself and fulfill shared aspirations and needs in the economic, social, and cultural fields under cooperative values and principles.²¹

The cooperative values include family values, self-help, responsibility, democracy, equality, justice, and independence. Meanwhile, cooperative principles consist of the principle of openness and volunteering for cooperative members; supervision is carried out by members in a democratic manner; active participation in cooperative activities; autonomous and independent business entity; organizing education and training for its members; excellently serve its members; focuses on sustainable development for the environment and society through policies agreed upon by members.

Besides implementing the above values and principles, cooperatives also support the people's economy, which can be observed from the cooperative's values. The fundamental role of cooperatives impacts the development of people's social life.

Furthermore, Islamic banks consist of BUS and BPRS. In general, the roles and functions of BUS are similar to the conventional commercial banks, except that BUS carries out banking services, funding, lending, and other operational activities based on sharia principles. Meanwhile, BPRS are banks that perform business activities based on sharia principles which in their activities do not provide services in payment traffic.²² BPR activities are much narrower than BUS activities. BPRS are prohibited from issuing current account savings products, prohibited from conducting foreign exchange transactions, and prohibited from carrying out insurance activities. As banks devoted to district or suburban areas, conventional and sharia rural banks play an important role in providing public banking service facilities. The functions of rural banks include First, providing banking

¹⁹ Thamrin Abdullah Dan Sintha Wahjusaputri, *Bank & Lembaga Keuangan*, (Jakarta: Mitra Wacana Media, 2018).

²⁰ Wiroso, *Akuntansi Transaksi Syariah*, (Jakarta: Ikatan Akuntan Indonesia, 2011).

²¹ Toman Sony Tambunan Dan Luna Theresia Tambunan, *Koperasi*.

²² Kasmir, *Bank Dan Lembaga*.

services to people in districts or suburban areas who do not have access to commercial banks; Second, helping the government educate the public about the financial sector for village development; Third, assisting the government in educating public understanding of formal financial institutions to avoid loan sharking practices; Fourth, help create entrepreneurs in rural areas to develop the village economy and create jobs.

Loans/financing offered by Rural Banks is very attractive because their products are quite diverse, ranging from working capital, Home Ownership Credit (KPR), small business loans, and land ownership loans to multipurpose loans. In general, the credit requirements of Rural Banks are identical to other banks. The distinctive feature of Rural Banks is that it is close to the rural people, so Rural Banks are also closely related to village banks, markets, employees, farmers, and other common people.

Problematic financing more commonly known as NPF is a condition where financing cannot be returned by the borrower promptly or beyond the specified timeframe.²³ NPFs are usually classified as substandard (group III), doubtful (group IV), and disadvantaged (group V). NPFs can affect micro (for banks or non-bank financial institutions and customers) and macro (economic). The impact of NPF includes: First, increasing the value of Asset Loss Allowance (PPA); Second, operating losses are higher, so profits decrease. Third, capital has decreased due to the formation of PPA, so it cannot expand. Fourth, the level of bank health is declining. Fifth, increased operational costs for billing.

To minimize the impact of NPF, several efforts have been made to improve the debtor's financial capacity so that they can fulfill their obligations to Islamic banks and BMTs, which is called restructuring. The restructuring usually consists of the following activities,²⁴

First, rescheduling, and restructuring are carried out by extending the financing period or installment period. For example, the initial financing period was 36 months and then extended to 60 months so that the lengthening of the financing period further reduced the number of installments.

Second, reconditioning, by changing the financing requirements, such as delaying interest/margin payments until a specific time while the principal installments are still being paid; interest rate reduction; interest exemption.

Third, restructuring is carried out by adding credit/financing facilities.

Fourth, combination, combination activity of rescheduling, reconditioning, and restructuring.

The research results show that the settlement of NPF in each BPRS has several similarities and differences, even though they have the same characteristics. For example, the NPF settlements in BPRS Bhakti Sumekar Pragaan Branch, Sumenep, were completed in various stages, including the first step being deliberation with the debtor/borrower, which was then followed by rescheduling. After rescheduling, BPRS Bhakti Sumekar coordinates all collection activities for the settlement of problematic or NPF, followed by binding strong

²³ Hermansyah, *Hukum Perbankan Nasional Indonesia*, (Jakarta: Kencana Prenada Media Group, 2007).

²⁴ Thamrin Abdullah Dan Sintha Wahjusaputri, *Bank & Lembaga*.

guarantees so that problematic financing does not occur. The next step is to carry out an accurate financing analysis and monitoring supervision.²⁵

The same cases occur in BPRS Bhakti Sumekar and BPRS Muamalat Harkat Sukaraja in Bengkulu. In resolving NPF, they conduct deliberations and field checks, rescheduling. However, there is a slight difference, BPRS Harkat Sukaraja will provide confirmation letters to customers three times if after rescheduling the installments are still not paid. The last effort made by BPRS Harkat Sukaraja was executing the debtor's collateral by selling it.²⁶ BPRS Taman Indah Darussalam also conducted the same method in Aceh. Problem financing was carried out through deliberation and payment of fines without rescheduling.²⁷

Unlike the case with BPRS Bhakti Sumekar, BPRS Harkat Sukaraja, and BPRS Taman Indah Darussalam, the settlement of problematic financing at BPRS Patriot Bekasi does not hold deliberations but instead sends a collection letter. However, if the debtor has not fulfilled his obligations even after receiving the collection letter, the Bank will send warning letters I, II, and III. Even so, the BPRS Patriot Bekasi also continues to do rescheduling, insurance claims, collateral execution, and even write-offs.²⁸

Of the four existing BPRS, in general, 3 BPRS do the same step to settle on performing financing by way of deliberation and rescheduling and not writing off. BPRS Bhakti Sumekar, Harkat Sukaraja, and Taman Indah Darussalam made efforts to increase the ability of debtors to settle their obligations by not writing them off. Unlike the other three BPRS, BPRS Patriot Bekasi does not conduct deliberations but instead sends collection letters and even writes off to resolve problematic financing. However, BPRS Patriot Bekasi also continues to make rescheduling efforts.

Referring to table 1. It is known that the strategies for solving NPF at BSM Bone Branch are conducted by a stay strategy and a phase-out strategy. The stay strategies carried out by BSM Bone Branch include restructuring, rescheduling, and reconditioning. Meanwhile, the phase-out strategy is done by not continuing the business relationship with the debtor for the long term.²⁹

Slightly different from the BSM Bone Branch, the settlement of NPF at Bank Muamalat Indonesia in Banda Aceh before executing the restructuring, the Bank conducts direct checks to the field (on the spot) to see the collateral and business prospects of the debtor directly to ensure that the financing funds can be returned.³⁰ Besides executing on-

²⁵ Susi Indriyani, "Analisis Alur Pembiayaan Bermasalah Terhadap Kinerja Keuangan Di BPRS Bhakti Sumekar Cabang Pragaan," *EKSYAR: Jurnal Ekonomi Syari'ah & Bisnis Islam* 8, no. 1 (2021).

²⁶ Khairiah Elwardah, "Penyelesaian Pembiayaan Bermasalah Dalam Produk Pembiayaan Murabahah (Studi Pada PT. BPRS Muamalat Harkat Sukaraja)," *Jurnal Baabu Al-Ilmi: Ekonomi Dan Perbankan Syariah* 4, no. 1 (2019): 75.

²⁷ Lisa Febriani Dan Khairani Khairani, "Penyelesaian Akad Murabahah Bermasalah Pada Pembiayaan Kendaraan Bermotor Di PT BPRS Taman Indah Darussalam," *Jurnal Geutbëe: Penelitian Multidisiplin* 5, no. 3 (2022): 278.

²⁸ Merlin Dewi Ariska Dan Dina Fitriasia Septiarini, "Penyelesaian Pembiayaan Bermasalah Akad Murabahah Pada Bank Pembiayaan Rakyat Syariah Patriot Bekasi," *Jurnal Ekonomi Syariah Teori Dan Terapan* 6, no. 12 (2020): 2471.

²⁹ Khairiah Elwardah, "Penyelesaian Pembiayaan Bermasalah...", 76.

³⁰ Suhaimi Suhaimi Dan Asnaini Asnaini, "Pembiayaan Bermasalah Di Bank Syariah," *Al-Intaj: Jurnal Ekonomi Dan Perbankan Syariah* 4, no. 2 (2018).

the-spot checking and restructuring, BMI Banda Aceh also determined fines and formed a remedial team that was specially formed to handle NPF based on internal policies that were not directly regulated in detail by the financial authorities. The final step taken by BMI Banda Aceh in resolving NPF is the sale of debtor guarantees and even write-offs.³¹ This is done after several attempts to improve the ability of the debtor to settle their obligations.

From the presentation of existing research results, it can be seen that there are several differences and similarities in the settlement of NPF between BPRS and Sharia Banks. First, both BPRS and BUS make collection efforts such as deliberations for BPRS and sending a collection letter or on-the-spot checking for BUS before restructuring (restructuring, rescheduling, and reconditioning). Second, both BPRS and BUS do restructuring, but only rescheduling the form of restructuring carried out by BPRS. Meanwhile, restructuring conducted by BUS is in the form of restructuring, rescheduling, and reconditioning to improve debtor capabilities. Third, both BPRS and BUS jointly conduct and form a remedial team to maintain contracts. Fourth, after conducting restructuring, the BPRS monitors the debtor so that failure does not occur, but this does not happen in BUS (no monitoring). Fifth, both BPRS and BUS take the last step in solving problem financing by executing guarantees and even doing write-offs. Sixth, BUS can also apply a phase-out strategy, but BPRS cannot. The following is a table of comparative data on troubled financing settlements between BPRS, BUS, and BMT:

Table 1. Comparison Of NPF Settlement Between BPRS And BUS

BPRS	Sharia Banks	BMT
Using A Sharia Approach By Way Of Deliberation	Summons/ Collection Letter/On-The-Spot	Using An Emotional Approach By Way Of Deliberation
Rescheduling	Restructuring, Reconditioning, Rescheduling	Restructuring, Reconditioning, Rescheduling
Remedial Monitoring	Remedial -	Remedial Coaching Of BMT Members
Execution Of Collateral Write Off	Execution Of Collateral Write Off Phase Out Strategy	Execution Of Collateral Write Off

Source: Data Analyzed By Researchers 2023

Furthermore, the settlement of NPF at BMT in this study was conducted in several ways, including at BMT Al Hasanah East Lampung, an emotional approach to members who become debtors through deliberations. After deliberations, BMT Al Hasanah administers rescheduling and restructuring. However, if the restructuring efforts fail, the final step in

³¹ Azharsyah Ibrahim Dan Arinal Rahmati, "Analisis Solutif Penyelesaian Pembiayaan Bermasalah Di Bank Syariah: Kajian Pada Produk Murabahah Di Bank Muamalat Indonesia Banda Aceh," *Iqtishadia: Jurnal Kajian Ekonomi dan Bisnis Islam STAIN Kudus* 10, no. 1 (2017): 71.

resolving problematic financing at BMT Al Hasanah is voluntary foreclosure and collateral sale.³²

Second, the settlement of NPF at BMT Agam Madani Nagari Batu Palano in Agam Regency is conducted by friendly relations with the debtor for an emotional approach to explore the debtor's potential and tighten the assessment before restructuring. The next step is to provide re-loan facilities, delay payments, and then incur rescheduling, restructuring, and reconditioning. After the restructuring, the BMT also conducts member coaching to improve the debtor's financial capabilities. However, if the restructuring effort is unsuccessful, BMT Agam Madani Nagari Batu will confiscate the debtor's collateral.³³

Third, the settlement of NPF at BMT Purwakarta Amanah Sejahtera differs slightly from the existing BMT. Settlement of NPF at BMT is only done by repeatedly employing collection through deliberations with a persuasive approach without restructuring. This BMT also has no foreclosure or sale of collateral but with write-off and hair-cut.³⁴

Fourth, the settlement of NPF in BMTs throughout the City of Jepara is by rescheduling, restructuring, and reconditioning. In addition, BMTs in the city of Jepara take a personal approach to debtors through the NU organization.³⁵

Fifth, the efforts made by BMT Syariah Pare are conducted in four stages, namely: First, merge members who have problems with those who are smooth by looking at the condition of the members. Second, give a warning letter. Third, guarantee execution. Fourth, a write-off.³⁶

Sixth, the settlement of NPF at BMT Mitra Arta Pekanbaru is conducted in several stages. Before restructuring, members with NPF will be given a warning letter. After being given a warning letter and there is an indication of good faith from the debtor, a restructuring will be carried out. However, if restructuring NPF still occurs, then the final step taken by BMT Mitra Arta is to sell collateral or write-off.³⁷

Islamic Financial Institutions are financial institutions that operate using sharia principles and characteristics. The primary operations of IFI are not much different from conventional financial institutions, including collecting funds from the public and channeling it back to the community (debtors) to be used in production or investment activities, buying goods or services so that economic activity can grow and the standard of living of the people's economy also increases.³⁸

³² Aye Sudarto, "Penyelesaian Pembiayaan Bermasalah...", 99.

³³ Nasfi Nasfi, Sabri Sabri, Dan Rahmah Moni, "Prosedur Pemberian Dan Penyelesaian Pembiayaan Bermasalah Di KJKS BMT Agam Madani Nagari Batu Palano Kabupaten Agam," *Jusie (Jurnal Sosial Dan Ilmu Ekonomi)* 4, no. 2 (2019): 98.

³⁴ Muhammad Sodik Dan Ahmad Ali Sopian, "Strategi Penyelesaian Pembiayaan.

³⁵ Solikhulhidayat, Muhammad Zaid Alaydrus, Dan Masykuri Bakri, "Strategi Penyelesaian Pembiayaan Bermasalah Berbasis Islamic Entrepreneurship Di BMT Se-Kota Jepara," *Jurnal Ekonomi Syariah Pelita Bangsa* 7, no. 1 (2022): 93.

³⁶ Amilis Kina, "Mekanisme Penanganan Pembiayaan Murabahah Bermasalah Studi Pada BMT Syari'ah Pare," *An-Nisbah: Jurnal Ekonomi Syariah* 3, no. 2 (2017): 393.

³⁷ Nur Umi Fadillah, *Penyelesaian Pembiayaan Bermasalah Pada BMT Mitra Arta Pekanbaru*, (Riau: Universitas Islam Negeri Sultan Syarif Kasim, 2019).

³⁸ Thamrin Abdullah Dan Sintha Wahjusaputri, *Bank & Lembaga*.

The development of IFI in Indonesia is inseparable from the development of Islamic banking. Apart from sharia banking, there are currently several forms of IFIs in Indonesia, such as sharia insurance, sharia financing institutions, sharia pawnshops, sharia cooperatives, and sharia microfinance institutions which are often called BMT. BMT is legally incorporated as a sharia cooperative or KJKS.³⁹

BMT has the same characteristics and roles as cooperatives in general. A cooperative is defined as a legal entity founded by a person or individual with the separation of the wealth of its members as capital to run the cooperative business itself and fulfill shared aspirations and needs in the economic, social, and cultural fields under cooperative values and principles.⁴⁰

The cooperative values include family values, self-help, responsibility, democracy, equality, justice, and independence. Meanwhile, cooperative principles consist of the principle of openness and volunteering for cooperative members; supervision is carried out by members in a democratic manner; active participation in cooperative activities; autonomous and independent business entity; organizing education and training for its members; excellently serve its members; focuses on sustainable development for the environment and society through policies agreed upon by members.

Besides implementing the above values and principles, cooperatives also support the people's economy, which can be observed from the cooperative's values. The fundamental role of cooperatives impacts the development of people's social life.

Furthermore, Islamic banks consist of BUS and BPRS. In general, the roles and functions of BUS are similar to the conventional commercial banks, except that BUS carries out banking services, funding, lending, and other operational activities based on sharia principles. Meanwhile, BPRS are banks that perform business activities based on sharia principles which in their activities do not provide services in payment traffic.⁴¹ BPR activities are much narrower than BUS activities. BPRS are prohibited from issuing current account savings products, prohibited from conducting foreign exchange transactions, and prohibited from carrying out insurance activities. As banks devoted to district or suburban areas, conventional and sharia rural banks play an important role in providing public banking service facilities. The functions of rural banks include: First, providing banking services to people in districts or suburban areas who do not have access to commercial banks; Second, helping the government educate the public about the financial sector for village development; Third, assisting the government in educating public understanding of formal financial institutions to avoid loan sharking practices; Fourth, help create entrepreneurs in rural areas to develop the village economy and create jobs.

Loans/financing offered by Rural Banks is very attractive because their products are quite diverse, ranging from working capital, KPR, small business loans, and land ownership loans to multipurpose loans. In general, the credit requirements of Rural Banks are identical to other banks. The distinctive feature of Rural Banks is that it is close to the

³⁹ Wiroso, *Akuntansi Transaksi Syariah*.

⁴⁰ Toman Sony Tambunan Dan Luna Theresia Tambunan, *Koperasi*.

⁴¹ Kasmir, *Bank Dan Lembaga*.

rural people, so Rural Banks are also closely related to village banks, markets, employees, farmers, and other common people.

Most of the NPF settlements in BMT in Indonesia used an emotional approach through deliberations with debtors who are also members of the BMT. Four of the six BMTs mentioned do the restructuring with that approach. Two of them did not take a personal and emotional approach but instead issued a warning letter and carried out a debtor merger strategy. Furthermore, all BMTs in this study did a restructuring with the last step of execution of guarantees up to write-off.

The various results of the descriptions of NPF settlements at BPRS, BUS, and BMT reveal some similarities and differences according to their respective characteristics. First, before restructuring, the BPRS, BUS, and BMT attempted to approach and collect formally from debtors. The approach taken by BPRS before restructuring was by deliberations. By its character, one of the functions of a BPRS is to provide banking services based on sharia principles to people in districts or outskirts who do not have access to commercial banks. Thus, BPRS assists the government in educating local communities about Islamic financial institutions so that they can be free from moneylender practices and increase business productivity by utilizing financing facilities at BPRS. The distinctive feature of people's credit banks, both conventional and sharia, is that they are closer to the people in the village and the common people. Therefore, the approach through deliberation before restructuring is appropriate because the people in the village always prioritize deliberation in solving problems.

Meanwhile, the method used by BUS before restructuring was by sending summons or collection letters to debtors. This is done as an effort to make the debtor fulfill his obligations. As a mudharib party to the owner of deposit funds, Islamic banks must be able to maintain the trust given to manage the funds that have been raised. Therefore, if there are symptoms of an NPF, Islamic banks must try to collect from the debtors. Supposedly, the debtor also maintains the trust of the funds entrusted by Islamic banks in the form of financing so that they both benefit.⁴²

Furthermore, BMT's emotional approach before restructuring is the right step. As a cooperative legal entity conducted based on sharia principles, BMT has the same characteristics, which is prioritizing the principle of kinship and member welfare. The family values embraced by cooperatives indicate that their efforts are to prioritize the members' welfare and prosper the community,⁴³ completing NPF by using an emotional approach through friendship and deliberation following the principle of kinship. Through deliberations, BMT and debtors can find common ground and agreement to resolve the NPF so that the members' prosperity is also maintained. In addition, the principle of prosperity for BMT members is also reflected in the activities of coaching members who have financing problems. With member coaching, BMT has tried to improve the debtor's financial capacity so that the impact of the NPF is minimized and does not harm other members. However,

⁴² Veithzal Rivai And Andria Permata Veithzal, *Islamic Financial Management*, (Jakarta: Raja Grafindo Persada, 2008).

⁴³ Tambunan Dan Tambunan, *Koperasi*.

some BMTs do not use an emotional approach through deliberations but rather by giving a warning letter. This is not in line with the principle of kinship applied in cooperatives.

Even though they have different characteristics, in the case of resolving NPF, BMT also performs restructuring using rescheduling, restructuring, and reconditioning, as is done by BPRS and Islamic banks. Rescheduling is a form of restructuring by rescheduling the payment term. This activity is usually carried out to extend the financing period. The longer the financing period, the lower the debtor's installments, thereby increasing the ability of the debtor to fulfill his obligations. Meanwhile, reconditioning is done by changing credit or financing requirements such as interest (conventional banks), margin (Islamic banks), profit sharing, postponement of profit sharing payments, interest as the principal debt, or margin as the principal financing. Furthermore, restructuring activities are done by adding financing facilities and increasing equity by depositing additional cash.⁴⁴

Another similarity between BPRS, BUS, and BMT in resolving NPF is in terms of taking the last steps of settlements. If several approaches and restructuring efforts are unsuccessful, the last step is to sell the debtor's collateral and write off it. Write-off is the activity of writing off receivables (financing) that cannot be collected from the balance of receivables so that receivables can be reported at fair value.⁴⁵

One thing that distinguishes Islamic or sharia banking and BMT, in resolving NPF, BMT is not implementing a phase-out strategy because it is against the principle of kinship. The phase-out strategy is a strategy based on the principle that the Bank only wants to continue the business relationship with the customer concerned for a short time unless other factors strongly support the possibility of an improvement in the customer's condition. The strategies generally carried out can be grouped into two types of approaches: the soft and hard approaches. A soft approach is solving problem financing outside the court by restructuring. In contrast, the hard approach is carried out if a soft approach fails and must involve civil lawsuits.⁴⁶

Conclusion

In general, the settlement of NPF is carried out by restructuring but taking different approaches according to the characteristics of BPRS, BUS, and BMT. From the results of this research it can be concluded that apart from restructuring in dealing with problematic financing, you must also pay attention to the characteristics of sharia financial institutions so that the approach taken will be by the characteristics of the sharia financial institutions themselves. The results of this study can be used in developing teaching materials in Islamic banking, accounting, and Islamic accounting. Nevertheless, this research has some limitations. Further

⁴⁴ Abdullah Dan Wahjusaputri, *Bank & Lembaga Keuangan*.

⁴⁵ Ahmad Syafi'i Syukur, *Intermediate Accounting Dalam Perspektif Lebih Luas Edisi Revisi*, (Jakarta: Av Publisher, 2015).

⁴⁶ Asniana Nur, "The Role Of The Police To Curbing Illegal Mining In Lea Village, Tellu Siattinge-Bone Regency," *Jurnal Al-Dustur* 3, no. 1 (2020): 67.

research needs to be carried out using primary data and more research objects to be more accurate.

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Author Contributions Statement

The FU contributed as the owner of the idea and the main author of this manuscript. FU writes this manuscript in the form of a frame of mind, determines basic theories, analyzes data, and discusses research findings. Meanwhile, AK and HH contribute as partners to share ideas, discuss, and help find references. Furthermore, SM contributed as a reviewer and added and improved the manuscript.

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